

Market update

First quarter (July-September) 2017

A stable start to the new financial year

The first quarter of the new financial year saw solid returns from the previous year continue.

The Australian share market rose by 0.8% for the quarter (including dividends) and global shares rose by 2.5% for the quarter (including dividends, in Australian dollars). This underperformance by Australian shares is still largely due to the new Bank levy announced in the last Federal Budget. This levy on the four big banks and Macquarie Bank has negatively hit their share prices.

Globally, share prices continued to power ahead, as economic fundamentals continue to improve in most major markets. Inflation remains low, which is proving puzzling for central bankers, but is helping share markets at this stage of the cycle. Whilst the US Federal Reserve has raised interest rates twice in 2017, both have been expected by the market. Hurricanes Harvey, Irma and Maria tore through North and Central America, doing most damage to the American territory of Puerto Rico, as well as southern US states, especially Texas. These hurricanes are expected to have a negative short-term impact on the US economy, but often have a positive medium-term impact as the rebuild begins.

Emerging market shares have outperformed developed market shares in recent months. LUCRF Super has been adding to emerging market shares (more so than developed markets or Australian shares) and this has paid off well so far. Valuations in emerging market shares have begun to catch up with developed markets and we are monitoring the position. The recent rise in emerging markets has been due largely to the broad-based economic recovery. This can also be seen in the recent increases in commodity prices, such as oil and copper (which tend to benefit emerging markets more than developed markets).

Emerging markets have also benefited from the economic recovery in China, in the lead-up to the Chinese 19th National Party Congress (which occurs twice per decade) in October/November 2017. Whilst China faces a number of near-term challenges, the National Party seems intent on ensuring strong economic growth in the short term at least, which has proven positive for shares in recent months.

It was generally a flat to negative quarter for fixed interest markets, with Australian bonds falling in value as bond yields rose.

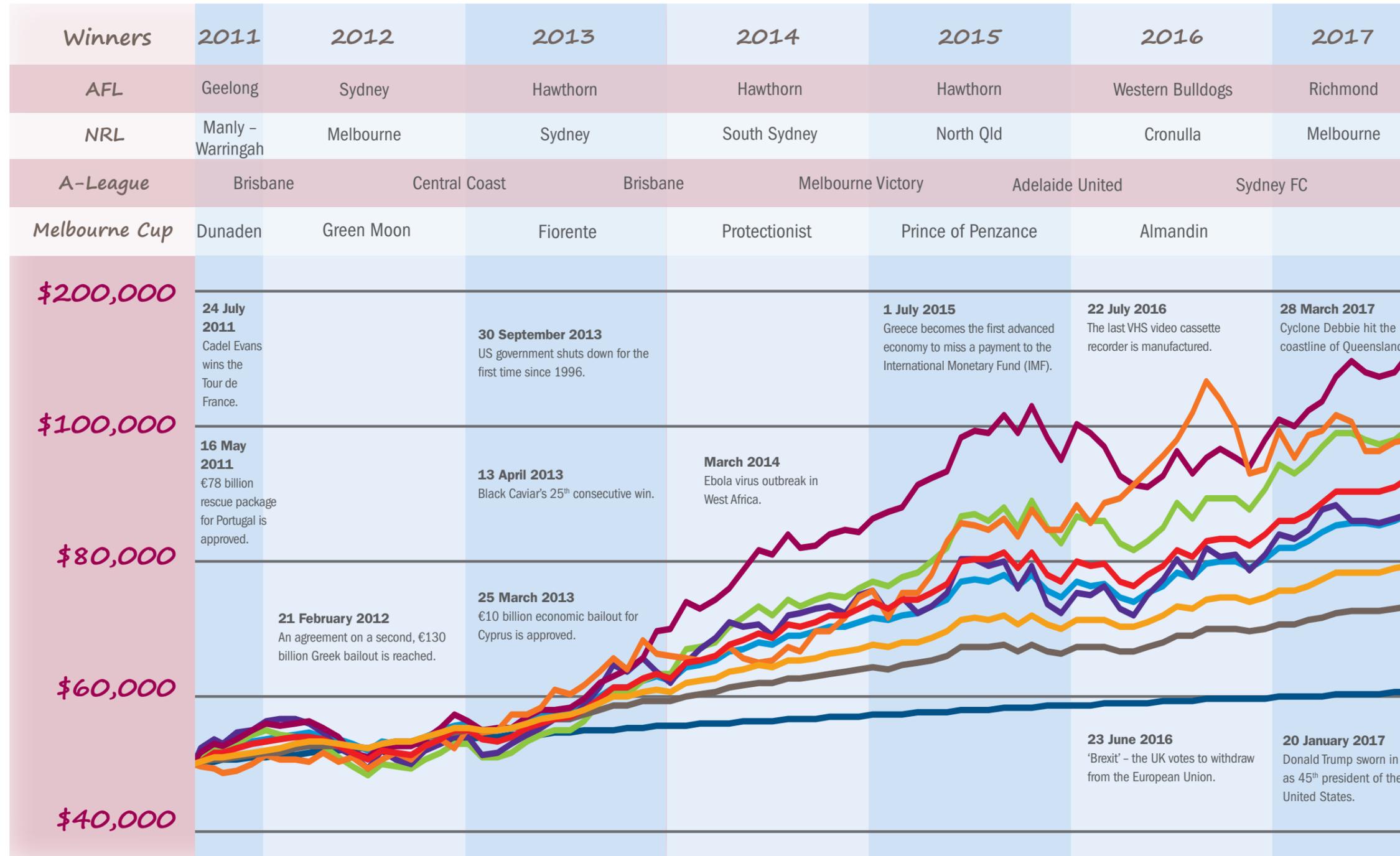
The strong performance of shares and low volatility has been despite a recent spate of high volatility in the global political environment. An escalation of tensions between the US and North Korea, which has conducted 15 missile launches and an underground nuclear test in 2017 so far, has many observers watching the situation closely. Whilst military action still seems unlikely, the unpredictability of North Korea under Kim Jong-un and to some extent the US under Donald Trump, has not been reflected in financial markets as yet.

Looking ahead

The returns from shares, especially international shares, continue to be stronger than normal. This is due mainly to broad-based economic growth that we have not seen at any point since the Global Financial Crisis. However, this is the time when we begin to become quite cautious on shares, as returns could begin to dip before economic growth does. We are keeping a close eye on shares in particular and looking to diversify the portfolio as much as possible. We encourage members to do the same and keep their super or pension invested in a diversified option (or a diversified mix of options) in this environment.

LUCRF Super has been adding to emerging market shares (more so than developed markets or Australian shares) and this has paid off well so far.

What is \$50,000 invested in super on 1 September 2010 worth now?



- \$110,859**
International Shares
- \$99,773**
Indexed Shares
- \$98,056**
Property
- \$92,239**
High Growth
- \$86,984**
MySuper Balanced
- \$86,955**
Australian Shares
- \$79,380**
Moderate
- \$73,229**
Conservative
- \$60,568**
Cash

This graph shows the upward trend of each investment option over time (to 30 September 2017). Even though there are peaks and troughs, these are evened out over the long term.

Please note: not all our investment options are shown in the graph. Past performance is not a reliable indicator of future returns.

Which investment option is right for you?

Our in-house financial advisers can help you decide.
Call us on **1300 130 780** or email mypartner@lucrf.com.au.

Latest returns

This table shows how your investment has performed for the financial year to date. To discuss market conditions or your own financial situation, please call one of our financial advisers on **1300 130 780**.

Investment options	Super/TTR rates	Pension rates
	(01/07/2017 to 30/09/2017)	(01/07/2017 to 30/09/2017)
Pre-mixed		
MySuper Balanced*	1.72%	1.97%
High Growth	2.14%	2.44%
Targeted Return	0.53%	0.78%
Moderate	1.30%	1.52%
Conservative	0.95%	1.12%
Asset class		
Australian Shares	0.94%	1.10%
International Shares	2.58%	2.86%
Indexed Shares	1.80%	1.97%
Property	1.62%	1.85%
Cash	0.43%	0.52%

*For LUCRF Pensions, this investment option is called Balanced. Note: This table details our final rates as at 30 September 2017. For the latest rates, please visit lucrf.com.au or call 1300 130 780. Past performance is not a reliable indicator of future investment returns.

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